

Minutes

Meeting of Special Commission to Investigate Other Post-Employment Benefits

Room 157, State House, Boston, MA

July 18, 2012

Attendees

Commission Members:

Henry Dormitzer, Chairman of the Special Commission

Daniel Morgado, Shrewsbury Town Manager, Massachusetts Municipal Association

Shawn Duhamel, Retired State, County, and Municipal Employees Association of Massachusetts

Dolores Mitchell, Executive Director of the Group Insurance Commission

Representative Frederick Barrows

Gregory Mennis, Assistant Secretary for Fiscal Policy, Designee of Secretary of Administration and Finance Jay Gonzalez

Al Gordon, Designee of Treasurer Steven Grossman

Andrew Powell, Massachusetts AFL-CIO

Representative John Scibak, House Chairman of the Joint Committee on Public Service

Senator Michael R. Knapik

Senator John A. Hart

Other Participants:

Bob Johnson, Group Insurance Commission

Francis Orlando, Department of the State Treasurer

Anne Wass, Former President of the Massachusetts Teachers Association

Minutes:

Henry Dormitzer, Chairman of the Special Commission, called the meeting to order. Minutes were approved.

Mr. Dormitzer said that he would like to end the meeting with questions for the actuary. He said the next meeting would be in September, and that the legislative update was that the Health Care Security Trust was authorized to get an actuary. He told people to tell him if they wished to be part of that process.

Gregory Mennis went over a follow-up from the past meeting - the different growth rates for costs of health care. He went over a slide showing different measures of health care cost growth. He explained that 5%, the long-term rate of growth projected by most actuaries, is lower than historical growth, and he defined excess growth.

Dolores Mitchell said that they needed to remember that this growth is coming from a high cost.

Shawn Duhamel asked about the Group Insurance Commission's annual rate, and Ms. Mitchell turned to someone in the audience, who said it was around 8% or slightly lower. Someone asked if this was the same as a per-person rate, and she said it was the rate per capita and per enrollee. Mr. Mennis then went over a slide which he said was a "rough estimate" of the liabilities of municipalities. He said that the slide showed 5-10% savings from Municipal Health Care Reform thus far and an estimate of \$30 billion in total.

Mr. Dormitzer then started a discussion on the basic values, which were listed on a slide in the presentation. Ms. Mitchell then asked about the federal government's role and said that since certain issues about Medicare or funding are not known, the principles should not be "cast in stone" without considering the federal government. Mr. Mennis proposed adding that the recommendations consider federal actions.

Mr. Morgado mentioned that we had to consider the cost to the taxpayers who pay for the benefit.

Mr. Duhamel then proposed adding a seventh bullet which was that the recommendations be consistent with Massachusetts values and that the state "lead by example" and encourage the private sector. Mr. Dormitzer then said that Mr. Morgado was also speaking about affordability and to talk about the second and third bullets, "Ensure Intergenerational Equity" and "Stretch Taxpayer Dollars As Far As Possible." Mr. Morgado said to look at what had been done in other states and that once proposals were made for changes, to look at intergenerational equity.

Mr. Dormitzer then suggested that the Commission “bookmark” the principles and begin the next meeting with it. He then said that the next part of the meeting would be slides depicting what other states were doing. He proposed going through the slides, the first of which was benefit design and minimum age/minimum years of service requirements. Mr. Mennis discussed the slide said that benefits were currently connected to pensions at age 55 and mentioned minimum years of service. Mr. Gordon said that the Treasurer wanted to see the impact if we were to apply changes to newly hired people rather than all employees

Mr. Dormitzer said that the Commission needed to ask questions of the actuary. He suggested looking at increasing the age to 60, and Mr. Morgado suggested looking at raising it to 62. Mr. Duhamel suggested having options, such as 25 years of service, and Mr. Dormitzer said that Michigan or Delaware were examples. Bob Johnson of the Group Insurance Commission mentioned looking at compensation in the private sector and at a big company to see what makes people choose to work there, and Mr. Dormitzer said they could ask that question. He then said the proposal for questions for the actuary was to raise the minimum age to 60 and 62 and to raise the minimum years of service to some number. Mr. Duhamel said that they should hold off on this until discussing pro-rating. Mr. Dormitzer said that he wished to know the marginal cost of each recommendation and then combine them.

Mr. Mennis then explained pro-rating and showed examples. He said there were three dimensions: minimum age, minimum years of service and changing minimum age depending on years of service. Ms. Mitchell said not to pro-rate by each individual year because of administrative challenges. Commission members also agreed to continue looking at the impact of providing part-time benefits. Andrew Powell said that he recognized the inequality and said that the minimum for benefits should start at 50% and increase from there. Mr. Mennis said he would ask the actuary. Mr. Johnson said they might need a tutorial on full and part-time.

Mr. Dormitzer said that he wanted to end the meeting with something to ask the actuary, and he suggested looking at 15, 20, and 25 years of service, 60 and 62 as a minimum age, and pro-rating the share of cost. Mr. Powell suggested considering each group on its own, and Mr. Gordon said to look at the effect on their own and combined. Mr. Mennis said they would look at each group’s marginal effect and at some scenarios.

Ms. Mitchell asked if the proposal for indexing to inflation was about regular inflation or about healthcare inflation. Mr. Mennis said that it was indexed to health care inflation. Ms. Mitchell said she was uncomfortable with that because of recent trends in healthcare costs, and that this proposal might be bad for retirees. Mr. Dormitzer mentioned the municipal budget and asked who should be responsible for the risk of increases in healthcare costs. Ms. Mitchell said she favored this once they knew that cost problem was solved, and Representative Barrows said that costs might be increasing because they kept paying it. Ms. Mitchell said that if nothing changes, this would mean retirees would have to pay for problems with healthcare. Ms. Mitchell said they had recently attempted to shift cost to retirees, and the goal should be to find a middle ground.

Mr. Morgado suggested using the midpoint between inflation and healthcare cost inflation. Someone pointed out that a municipality doesn't have the same authority as the GIC, but Mr. Powell pointed out that with municipal healthcare reform, municipalities have the GIC plan as a benchmark. Mr. Mennis said he would ask the actuary to connect the subsidy with inflation and the midpoint between regular inflation and healthcare inflation. Mr. Duhamel said that he did not have a problem with asking the actuary, but that this was the "most troubling to us," and that they could not go along with an automatic trigger, but that they would look at the numbers and see where things go.

Mr. Mennis asked Ms. Mitchell to address her EGWP concerns, and Ms. Mitchell said that she resisted EGWP because of administrative issues. Mr. Johnson said that EGWP provides different plans for people on Medicare and people not on Medicare, that the appeals process takes a long time, and that individuals need to have an address in the United States. Mr. Johnson said that it was possible to do EGWP but it would be difficult. Mr. Dormitzer said to put EGWP aside for now.

Mr. Mennis then drew attention to the slide that said "Benefit Design – Other" and asked how to address those items. He said he could ask about part-time policy but was not sure how easy it would be to analyze. He said he wanted to get opinions on spousal/survivor benefits. Mr. Dormitzer asked if the Commission should try to address municipalities' spousal/survivor policies, and Mr. Morgado said that for them, it was not a large issue. Mr. Johnson asked what the goal was with spousal coverage, and Mr. Morgado asked what policies were in industry. Mr. Morgado said that spousal benefits were decreasing in private sector and wanted to ask for best practices. Mr. Dormitzer says they could ask for that. Mr. Duhamel said that spousal and survivor benefits were a large issue, and that survivor benefits were very different in different municipalities. He said that some are responsible for 100% of the premium and are not eligible for Commonwealth Care, and they cannot afford it. He requested asking how much it would cost to have all survivors at retiree subsidy rates

The conversation then turned to employee funding and contributions. Mr. Mennis said there were differences in what employees pay now for pensions and that this would be simple analytically. Mr. Morgado said this was uncertain in terms of administration, but that it was worth looking at. Representative Scibak spoke about a proposal for a self-funding with Connecticut firefighters with a health savings account, and Mr. Mennis mentioned the Indiana VEBA. Mr. Duhamel spoke about Blue Cross and said they could do a presentation about VEBA. Anne Waas, past president of the MTA, asked about the mention of using sick leave and vacation leave funding in the presentation.

Mr. Dormitzer said that the Commission would outline the scope of the actuary's work, which they could do themselves or delegate. He told Commissioners to let them know if they wanted to be a part of actuary selection, and said they would schedule the next meeting for September. Mr.

Mennis said he thought Mr. Powell wanted to be involved in the actuary selection, and Mr. Powell said yes. Mr. Morgado also wanted to be involved.

The meeting adjourned.